PROVINCE OF SASKATCHEWAN

10-11

ANNUAL REPORT

SASKATCHEWAN
LIQUOR & GAMING
AUTHORITY

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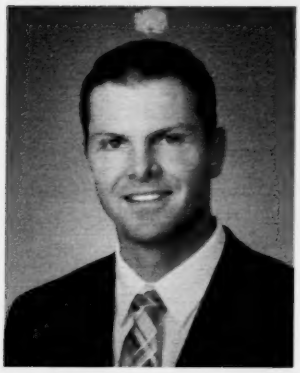
This annual report is also available online at www.slga.gov.sk.ca

Letters of Transmittal



Regina, Saskatchewan
July 2011

His Honour, The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of Saskatchewan

Your Honour:

I am pleased to submit the Annual Report of the Saskatchewan Liquor and Gaming Authority (SLGA) for the period ending March 31, 2011. This report includes the financial statements in the form required by Treasury Board and in accordance with *The Alcohol and Gaming Regulation Act, 1997.* The financial statements show a record financial year with net income of $442.5 million.

During the past year, our Government has continued its work toward building a strong foundation for economic growth and the creation of a safe and secure future for Saskatchewan families. Our Government is also dedicated to increasing transparency and accountability by inviting the public to measure our progress against our commitments to the Saskatchewan people. SLGA's strategies and actions are aligned with Government's direction to help deliver on Government's plan for Saskatchewan. This annual report measures SLGA's success in meeting its commitments as outlined in its 2010-11 Plan and the Minister's Mandate letter and demonstrates SLGA's continued commitment to managing expenditures responsibly.

Highlights of SLGA's accomplishments in 2010-11 include: the generation of $442.5 million in net income; the development of strategies in support of long-term economic growth and sustainability in the liquor and gaming sectors; the application of Lean methodology to business process reviews to identify opportunities to increase efficiencies; and, replacement of the retail store point of sale system to meet payment card compliance standards and accommodate debit and credit card chip technology. To support responsible use in the liquor and gaming sectors, the Report Impaired Drivers (RID) program was expanded to include Regina, Moose Jaw and Prince Albert and responsible gambling information was created for distribution to all video lottery terminal (VLT) sites.

Annual reports are an important accountability document and they also help inform future planning and resource allocation in the upcoming years. Given the strong results SLGA has shown in 2010-11, I am confident that it will continue to be a positive contributor to the growth and prosperity of the province in the years ahead.

Tim McMillan
Minister Responsible for the Saskatchewan Liquor and Gaming Authority
July 2011

Letters of Transmittal

July 2011
Honourable Tim McMillan
Minister Responsible for the Saskatchewan Liquor and Gaming Authority

Honourable Tim McMillan:

I have the honour of submitting the 2010-11 Annual Report of the Saskatchewan Liquor and Gaming Authority (SLGA) for the fiscal year ending March 31, 2011.

On behalf of SLGA, I acknowledge responsibility for this report and am pleased to provide assurances on the accuracy, completeness and reliability of the information contained within it. I also acknowledge responsibility for the financial administration and management control of SLGA.

This Annual Report highlights the many achievements of SLGA in 2010-11 and reflects another successful year for the organization.

Barry C. Lacey, CA, CMA
President & CEO
Saskatchewan Liquor and Gaming Authority

Introduction

This annual report presents SLGA's activities and results for the fiscal year ending March 31, 2011. It reports to the public and elected officials on the progress of public commitments made by SLGA and other key accomplishments in support of the *Government's Direction for 2010-11.*

The 2010-11 Annual Report describes SLGA's progress against SLGA's strategies and key actions identified in SLGA's Corporate Plan for 2010-11 and the Minister's Mandate letter. The Report also measures progress against select performance measures that are key to gauging the success of the organization relative to its public commitments. SLGA remains committed to the principles of enhanced accountability and will incorporate the values and the strategic direction of Government in the planning and reporting process as the organization moves forward.

The 2010-11 Annual Report also sets the stage for future planning and budget processes by providing an opportunity to assess the accomplishments, results and lessons learned and identifying how to build on past successes for the benefit of Saskatchewan people.

Alignment with Government's Direction

SLGA's 2010-11 Annual Report aligns with Government's vision and three goals:

Government's Vision:
A secure and prosperous Saskatchewan, leading the country in economic and population growth, while providing a high quality of life for all.

Government's Goals:

1. Sustain economic growth for the benefit of Saskatchewan people, ensuring the economy is ready for growth and positioning Saskatchewan to meet the challenges of economic and population growth and development.

2. Secure Saskatchewan as a safe place to live and raise a family where people are confident in their future, ensuring the people of Saskatchewan benefit from the growing economy.

3. Keep Government's promises and fulfill the commitments of the election, operating with integrity and transparency, accountable to the people of Saskatchewan.

SLGA works together with other Ministries and agencies to advance these goals and to help build the foundation for a secure and prosperous future in Saskatchewan.

In 2010-11, SLGA supported Government's goals through advancement in the following key areas:

- Developing strategies in support of long-term economic growth and sustainability in the liquor and gaming sectors;
- Continuing to modernize the regulatory framework to improve business viability;
- Expanding and introducing initiatives in support of the socially responsible sale and distribution of liquor and gaming products and services;
- Reviewing operations and business processes to ensure continuous improvement in internal operational efficiency and productivity; and,
- Improving customer service.

In addition, SLGA's $442.5 million in net income for 2010-11 will help fund Government initiatives in priority areas such as health, education and infrastructure.

Overview

SLGA's Mission Statement

Serving Saskatchewan people with excellence while promoting economic growth through the socially responsible distribution, management, operation and regulation of liquor and gaming products.

The Saskatchewan Liquor and Gaming Authority (SLGA) is a Treasury Board Crown Corporation responsible for the distribution, regulation, management and operation of liquor and gaming across the province. SLGA achieves its mandate through socially responsible, fair and cost-effective services and programs delivered by employees at offices in Regina and Saskatoon, a liquor distribution centre in Regina and a network of 79 liquor stores in 64 communities throughout the province. SLGA partners with 190 small businesses in rural Saskatchewan to sell beverage alcohol on its behalf in communities not supported by a liquor store. In addition, two specialty wine store franchises, one in each of Saskatoon and Regina, opened in 2009-10.

SLGA fulfills a number of distinct roles in the provincial gaming sector. First, SLGA directly manages the majority of the province's electronic gaming machines, including the province's network of video lottery terminals (VLTs) and the slot machines at First Nations casinos. Second, SLGA plays an important role in regulating the province's eight casinos: six First Nations casinos operated by the Saskatchewan Indian Gaming Authority (SIGA); and two casinos in Moose Jaw and Regina operated by SaskGaming. Third, SLGA also licenses and regulates most other forms of gaming including bingo, raffles, breakopen tickets, Texas Hold'em poker and Monte Carlo events as well as the provincial horse racing industry.

As of March 31, 2011, SLGA employed approximately 1,051 staff throughout the province (the comparable figure in 2009-10 was 1,103), the majority of which work part-time. Approximately 90 per cent of employees are members of the Saskatchewan Government and General Employees' Union (SGEU) Local 6080.

SLGA operates under *The Alcohol and Gaming Regulation Act, 1997* and works in partnership with a broad range of stakeholders and clients, including: the Federation of Saskatchewan Indian Nations (FSIN); the Saskatchewan Indian Gaming Authority (SIGA); Indigenous Gaming Regulators (IGR); Western Canada Lottery Corporation (WCLC); the Canadian Restaurant and Foodservices Association (CRFA); the Saskatchewan Hotel and Hospitality Association (SHHA); the Saskatchewan Liquor Vendors Association (SLVA); liquor-permitted establishments; non-profit clubs; charity associations/individual charities; Pollard Banknote; the Canadian Vintners Association; the Responsible Gambling Council (RGC); the Canadian Centre on Substance Abuse (CCSA); the Brewers of Canada; Spirits Canada; and, the SGEU (see Appendix B for an overview of SLGA's stakeholders and partners).

SLGA has six divisions:

- The Retail Operations Division is responsible for the purchasing, warehousing, distribution and retailing of beverage alcohol in Saskatchewan. The Division oversees Saskatchewan's liquor stores, franchises and a central distribution centre.

- The Regulatory Compliance Division is responsible for the licensing, inspection and monitoring of liquor and most gaming activities in the province. The Division is also responsible for horse racing and provides a range of community information and education seminars.

- The Gaming Operations Division is responsible for the planning, implementation and management of the VLT program, breakopen vending machine program and the slot machines in First Nations casinos along with the implementation of the operational agreements relating to the province's First Nations casinos.

- The Corporate Services Division provides budgeting, financial reporting, payroll, administrative, procurement, information systems, property management and audit support services to the organization.

- The Human Resources Division provides strategic human resource direction and is responsible for human resource planning, recruitment, labour relations, total compensation, training, organizational development, and employee health, safety and productivity.

- The Policy and Planning Division is responsible for corporate planning, performance measurement, performance reporting, policy development and analysis, privacy/Freedom of Information, research and evaluation, and legislative services for the organization. The Division also plays a central role in the ongoing implementation of the Gaming Framework Agreement (GFA) between the Province and the FSIN.

Progress in 2010-11

SLGA supports Government's goal to Sustain Economic Growth for the benefit of Saskatchewan people, ensuring the economy is ready for growth and positioning Saskatchewan to meet the challenges of economic and population growth and development.

Support economic growth in liquor and gaming industries and associated sectors

Results

- Based on the results of the 2009-10 retail store location study, SLGA has initiated business planning that prioritizes capital projects based on business need, lease expiration dates, building growth capacity and area demographics. In addition, floor plans in four stores have been reconfigured to enhance product selection.
- SLGA continues to administer and monitor the VLT program. The rollout of a new automated banking machine (ABM) policy to improve social responsibility was completed in 2010-11 and a long-term VLT replacement strategy intended to help sustain revenue from this sector was finalized.
- SLGA continues to support the charitable gaming industry through the charitable gaming grant program. The program issues grant payments equal to 25 per cent of the net revenue generated by an organization through licensed charitable gaming activities to a maximum of $100,000 annually per organization. In 2010-11, grants worth $5.7 million were paid to charitable organizations.
- During 2010-11, SLGA consulted with representatives from the Saskatchewan Hotel and Hospitality Association (SHHA) to develop a revised beer discount structure to improve the viability of commercial permittees with off-sale endorsements.

Measurement Results

Liquor Sales

The dollar value of liquor sales has continued to grow over the past five years. This growth has been driven by a combination of volume increases, price increases and changing consumer preferences towards specialty and higher priced products. Saskatchewan's strong economy with low unemployment rates, a growing population and strong income levels have all contributed to the growth in this sector. 2010-11 liquor sales were also influenced by increased prices that came into effect on April 1, 2010.

	2006-07	2007-08	2008-09	2009-10	2010-11
Liquor Sales	$429.5 M	$469.7 M	$506.5 M	$541.1 M	$550.5 M

Source: SLGA Corporate Services Division

VLT Revenue

SLGA operates the VLT program within a provincial cap of 4,000 VLTs that balances social and fiscal responsibilities. SLGA contracts with the Western Canada Lottery Corporation (WCLC) to operate and maintain the VLTs. This measure reflects the gross amount of VLT activity prior to the payment of VLT site commissions or operating expenses. VLT activity began to rebound in 2007-08 after the initial impact of the province-wide smoking ban; however, increased gaming opportunities from the casino sector in both Saskatoon and Swift Current in 2008-09 as well as changing player preferences combined to lower overall VLT activity in the province. This downward trend continued through 2010-11. Reinvestment in the VLT infrastructure is expected to reverse this trend over the medium term. As at March 31, 2011, there were 3,936 VLT machines at 629 sites in 302 communities in Saskatchewan.

	2006-07	2007-08	2008-09	2009-10	2010-11
Gross VLT Revenue	$233.6 M	$247.1 M	$241.0 M	$225.8 M	$223.3 M

Source: SLGA Corporate Services Division

VLT Site Commission

SLGA owns the VLT machines and supports local businesses through a 15 per cent commission paid to liquor permitted establishments that host VLTs. VLT site commission revenue for the year ending March 31, 2011 was $33.9 million, down slightly from $34.3 million in 2009-10. Looking at the five-year trend, the peak in 2007-08 was primarily due to a one-time cost associated with the negotiated closing of the Emerald Casino in Saskatoon. This peak was followed by a decline in VLT activity in 2008-09 that has continued through 2010-11. The reinvestment in VLT infrastructure is expected to reverse this trend over the medium term.

	2006-07	2007-08	2008-09	2009-10	2010-11
VLT Site Commission	$36.6 M	$39.9 M	$36.6 M	$34.3 M	$33.9 M

Source: SLGA Corporate Services Division

Charitable Gaming Grant

The charitable gaming grant program was implemented in 2006-07 to help stabilize revenue to the charitable gaming sector. The grant program issues grant payments equal to 25 per cent of the net revenue generated by an organization through licensed charitable gaming activities up to a maximum of $100,000 per year per organization. In 2010-11, $5.7 million in grant payments were expensed compared to $7.8 million in 2009-10. The decline is explained by an overestimate of the actual grant liability in 2009-10. The corresponding charitable gaming proceeds totalled $27.7 million compared to $27.0 million in 2009-10. The increase in 2010-11 is due to modest growth in raffle sales and the introduction of an enhanced breakopen card sold in bingo halls.

	2006-07	2007-08	2008-09	2009-10	2010-11
Charitable Gaming Grant	$5.0 M	$8.0 M	$6.7 M	$7.8 M	$5.7 M

Source: SLGA Corporate Services Division

Horse Racing Grant

Three tracks received support for horse racing: Saskatoon's Marquis Downs, Melville Agri-Park and the Yorkton Exhibition Association. The grants provide funding for purses, racing operations, breeding incentives and facility improvements that support the horse racing industry in Saskatchewan. The horse racing industry receives $1.5 million in grants on an annual basis. In 2010-11, the racing handle totalled $9.1 million compared to $11.2 million in 2009-10. The decline in the racing handle is primarily attributed to a reduction in the simulcast handle as a result of fewer race days in other jurisdictions.

Modernize SLGA's policy framework to allow for greater flexibility and encourage increased involvement by stakeholders in the economy

Results

- In an effort to create a more flexible regulatory environment and encourage business creation and viability, SLGA initiated the review and refinement of select policies, operating agreements and contracts. (2010 Mandate Letter)
    - The rural franchise contract and policy were finalized early in 2010-11 and new franchise operating guidelines were drafted and forwarded to the Saskatchewan Liquor Vendors Association (SLVA) executive for review in March 2011. SLGA will complete consultations with SLVA in early 2011-12 with a view to completing and distributing the guidelines by mid fiscal year.
    - In June 2010, SLGA entered into a new limited franchise agreement with Paddock Wood Brewery, allowing it to direct deliver its product to commercial permittees on behalf of SLGA.

- The cottage winery policy was finalized in October 2010. Key changes included the removal of requirements regarding the origin of raw inputs and farmland ownership and a reduction in the production levy and mark-up on cottage winery products. In addition, cottage wineries are now allowed to sell product at qualifying farmers' markets (with approval of the farmers' market and the municipality).

- A micro distillery policy has been drafted. Completion of the policy has been delayed as a result of longer than expected consultations with stakeholders.

- In 2010, SLGA consulted with three brew pubs that currently sell their self-produced beer to other commercial permittees. A new delivery agreement that will allow them to deliver beer on behalf of SLGA is expected to be finalized in 2011-12. The new agreement will reduce SLGA costs associated with administrative oversight and streamline the process for its stakeholders.

- SLGA continued to work and consult with the Specialty Wine Store Franchises (SWSF) located in Saskatoon and Regina. These stores list approximately 1,400 unique products not offered in SLGA liquor stores. Following a review of the SWSF's operations in 2010-11, the operating guidelines were revised in January 2011. The maximum space allocation for beer and spirits was increased and the minimum retail price for spirits was reduced to allow for a greater selection of specialty beer and spirits. In addition, the commission on special order wine products was increased to provide incentive for growth in this market segment and improve the viability of the SWSFs. (2010 Mandate Letter)

Measurement Results

Total Gross Franchise and Commercial Permittee Beverage Alcohol Purchases

The following table illustrates the beverage alcohol purchases made by SLGA's partners, reflecting the extent to which the Saskatchewan market is served by a blended distribution model. The franchises and commercial permittees in turn generate additional revenue and economic activity through the resale of beverage alcohol in support of other core business areas such as accommodation, food services and retail sales.

Saskatchewan's strong economy and its impact on these business sectors are evident in the following figures. The franchises have experienced continued sales growth since 2006-07, while commercial permittee sales growth was affected by the cold and wet summer weather experienced in 2010. Off-sale outlets are responsible for a significant percentage of impulse beer purchases in Saskatchewan; therefore, the decline in the volume of beer sales in 2010-11 was disproportionately felt by off-sale outlets. The growth since 2006-07 has also been supported by a combination of industry price increases and trading up by the consumer to higher-priced products.

Fiscal Year	Franchise Purchases*	Commercial Permittee Purchases
2010-11	$51.3 M	$210.3 M
2009-10	$50.2 M	$215.4 M
2008-09	$45.0 M	$210.7 M
2007-08	$41.4 M	$200.7 M
2006-07	$37.1 M	$186.8 M

* Beginning in 2009-10, franchise purchases include Specialty Wine Store Franchise purchases.

Source: SLGA Corporate Services Division

New Permit Categories

Effective April 1, 2009, changes in Saskatchewan's liquor laws allowed for the operation of U-brew/U-vin services as well as home delivery services for beverage alcohol. These categories have shown continued growth in 2010-11.

- U-brew/U-vin permits allow eligible businesses to offer supplies, space, equipment and expertise to customers who want to make their own beer and wine on-site. There were 17 U-brew/U-vin operations in the province in 2010-11 compared to 14 in 2009-10.
- The introduction of a liquor permit for home delivery provides an additional revenue source for existing delivery companies and other interested businesses and allows commercial permittees an additional opportunity to serve the home consumption beverage alcohol market. Eleven home delivery permits were issued in 2010-11, an increase of four relative to 2009-10.

SLGA supports Government's goal to Secure Saskatchewan as a safe place to live and raise a family where people are confident in their future, ensuring the people of Saskatchewan benefit from the growing economy.

Strengthen the socially responsible sale and distribution of liquor and gaming products in an effort to reduce the adverse consequences of these activities

Results

- SLGA continues to actively participate on the Inter-Provincial Lottery Corporation Responsible Gaming Sub-Committee that has developed a workplan to research responsible gambling programs with a view to recommend evidence-based initiatives for implementation of consistent strategies across all Canadian gambling jurisdictions. The committee is pursuing approximately 16 projects as part of its year one work plan. Work plan categories include: research, communications (primarily with gamblers and parents of youth), program development and training.
- In September, SLGA engaged a consultant to draft a responsible gambling summary for the provincial interagency responsible gambling forum with the intent to identify any potential responsible gambling initiatives that are not currently being undertaken in Saskatchewan. A draft strategy has been developed and SLGA is currently working with forum members to finalize the plan.
- After consulting with SaskGaming and the Ministry of Health regarding casino self exclusion programs, it was decided to delay implementation of a pilot re-entry program pending completion of a national review of casino re-entry programs by the Inter-Provincial Lottery Corporation Responsible Gaming Sub-Committee.
- SLGA, along with several other jurisdictions, funded a report on informed decision making prepared by the Responsible Gambling Council. The report reviews approaches currently used in the gaming industry as well as other sectors (e.g. alcohol, tobacco, prescription drugs). Although more research is required to determine the most effective approach for a given type of gambler and gaming venue, the report identifies options for gaming operators on the type of information and how to provide it to their patrons depending upon the risk level associated with their gambling behaviour.
- Building on SLGA's partnership with Saskatchewan Government Insurance (SGI) and other organizations, SLGA continued to deliver programs to promote awareness and prevention of drinking and driving.
    - SLGA worked with SGI to promote the Ding in the New Year program in Regina, Saskatoon, Moose Jaw and Prince Albert. This program provides free public transportation on New Year's Eve.
    - SLGA and SGI continue to hold discussions about developing a new designated driver program for Saskatchewan.

- SLGA, with SGI, Mothers Against Drinking and Driving (MADD) Canada, Students Against Drinking and Driving (SADD) Canada and local police services, expanded the Report Impaired Driving (RID) program to Regina in September 2010 and to Moose Jaw and Prince Albert in March 2011. The RID program encourages people to call 911 if they suspect an impaired driver. In cases where the vehicle cannot be located immediately by police, letters are sent to registered vehicle owners notifying them that a report was made to police.

- SLGA partnered with MADD to bring MADD's Shattered video presentation to 20 high schools throughout Saskatchewan. Part of MADD's School Assembly Program, Shattered illustrates how driving while impaired can have life-altering consequences.

- In conjunction with the Ministries of Justice; Corrections, Public Safety and Policing; Health; and, First Nations and Métis Relations (FNMR), SLGA pursued the development of a social marketing program aimed at reducing alcohol related violence in northern Saskatchewan. Initial research and consultations with key community informants indicated that a social marketing campaign by itself would not be effective in reducing alcohol related violence. In March 2011, consultations occurred between SLGA, Justice, FNMR, the New North executive and northern mayors to discuss next steps. The meeting resulted in an offer to partner with the youth council of Ile-a-la-Crosse to further develop strategies to reduce alcohol related violence, and some suggestions related to the sale and service of beverage alcohol in the Northern Administration District. SLGA has committed to reviewing these suggestions.

- SLGA worked with the Saskatchewan Hotels and Hospitality Association (SHHA) and the Canadian Restaurant and Foodservices Association (CRFA) to create a brochure for distribution to all VLT sites to provide information on chance, luck and other issues that may impact VLT play. In addition, SLGA is working with the Saskatchewan Tourism Education Council (STEC) to convert SLGA's VLT site contractor training to an online format to increase access to the program. Once completed, SLGA will work with SHHA and CRFA to promote the program.

Measurement Results

Report Impaired Drivers Program

- In 2010-11, the Saskatoon Police Service reported that 2,685 RID calls resulted in 153 impaired driving charges.
- From November 2010 through March 2011 (months for which data is available), the Regina Police Service reported that 809 RID calls resulted in 42 impaired driving charges.

Regulatory and Compliance Measures

SLGA's regulatory framework supports the socially responsible sale and distribution of liquor and gaming products and services. SLGA develops, administers and enforces the laws and regulations pertaining to the province's liquor and gaming sectors. SLGA works in collaboration with law enforcement authorities and other regulatory agencies in order to ensure greater effectiveness and efficiency in monitoring both liquor and gaming activities throughout the province. SLGA also conducts comprehensive site inspections and investigates complaints. All of these functions are designed to ensure the integrity of the liquor and gaming sectors in the province within a legal framework that is both fair and responsible.

- SLGA issued 1,684 commercial liquor permits to hotel taverns, nightclubs, brew pubs, restaurants and a variety of special use premises in accordance with *The Alcohol and Gaming Regulation Act, 1997.* Of these, 447 held an off-sale endorsement.

- Special occasion permits (SOPs) are required for anyone serving alcohol at special events such as weddings, cabarets and fundraisers. There were 16,464 SOPs issued in 2010-11 (excluding extended hour and extended day permits).

- SLGA licenses and regulates charitable forms of gaming including bingo, raffles, breakopen tickets, Texas Hold'em poker and Monte Carlo events, as well as temporary exhibition casinos. The total number of charitable gaming licences issued in 2010-11 was 3,606. This number does not include charitable gaming licences that were issued by Indigenous Gaming Regulators (IGR) for on-reserve charitable gaming activity.
- SLGA registers all gaming employees in the province, as well as suppliers of gaming and non-gaming goods and services to the industry. In 2010-11, SLGA registered 3,582 gaming employees and 87 suppliers.
- In 2010-11, SLGA imposed a total of 453 sanctions: 156 liquor-related sanctions, 244 charitable gaming-related sanctions and 53 horse racing sanctions. Sanctions include warnings, suspensions and fines depending upon the violation and past compliance history.
- To ensure compliance with policies and procedures, SLGA conducted 62 audits and reviews of liquor stores, casinos, charitable gaming organizations and SLGA head office operations in 2010-11.
- SLGA provides a range of formal consultations and educational workshops to a variety of stakeholders and clients about regulatory compliance standards. These workshops take place in communities across the province and are intended to promote awareness about the laws and regulations governing the liquor and gaming industries in Saskatchewan. In 2010-11, SLGA conducted 322 formal workshops/meetings/ consultations, up from 314 in 2009-10.

Promote environmental stewardship by implementing sustainable business practices

Results

- In an effort to further SLGA's commitment to environmental stewardship, SLGA continues to look for opportunities to operate in a more environmentally friendly manner.
  - SLGA began exploring the concept of video conferencing for retail meetings to reduce travel time and travel costs. However, due to other priorities, the program has been deferred.
  - Environmental considerations have been added to product listing criteria to give preference to lightweight bottles/ packaging that will ultimately reduce emissions related to transportation. Some products were granted additional listings to encourage consumers to switch from glass to lighter-weight plastic and these products are currently achieving minimum sales quotas.
  - All new SLGA listings met the new Canadian Association of Liquor Jurisdictions (CALJ) maximum case weight standard of 18.9 kilograms.

SLGA supports Government's goal to Keep Government's Promises and fulfill the commitments of the election, operating with integrity and transparency, accountable to the people of Saskatchewan.

Support and strengthen the collaborative partnership between SLGA and First Nations

Results

- SLGA continues to take a lead role in maintaining a collaborative relationship with First Nations relative to gaming in Saskatchewan. (2010 Mandate Letter)
  - SLGA continued to work with the Federation of Saskatchewan Indian Nations (FSIN) to fulfill commitments under the Gaming Framework Agreement (GFA). Following ongoing discussions regarding which Community Development Corporation (CDC) should receive revenue sharing from SIGA's Gold Eagle Casino in North Battleford for the first quarter of 2007-08, SLGA facilitated a resolution which resulted in the FSIN agreeing to distribution to the Battlefords Agency Tribal Chiefs CDC.

- SLGA has maintained a good working relationship with SIGA's management and Board of Directors over the past year. Accomplishments include:
  - Continued to work closely with SIGA to review its capacity to transfer responsibilities for the operation of slot machines and central operating system from Western Canada Lotteries Corporation (WCLC) to SIGA. The initial capacity assessment report has been conducted and is under review by SIGA and SLGA.
  - A Request for Proposal (RFP) for the procurement of a new central operating system for the slot machines in SIGA casinos was completed early in 2011. SLGA plans to move forward with this purchase in 2011-12, with full implementation expected in 2012-13.
- SLGA continued to work collaboratively with the Indigenous Gaming Regulators (IGR) to fulfill commitments under the SLGA-IGR Regulatory Agreement. In 2010-11, the SLGA-IGR Standing Committee continued to meet quarterly to discuss matters of mutual concern respecting the regulation of charitable gaming.

Measurement Results

SIGA Net Income

This measure reflects the total net income generated by SIGA casinos after deducting operating expenses. As required by section 207 of the *Criminal Code of Canada*, SLGA owns the slot machines located in SIGA casinos. The net income generated by SIGA is distributed according to the revenue sharing formula in the 2002 GFA between the Province and the FSIN.

The General Revenue Fund (GRF) retains 25 per cent of SIGA's net profits (after defined payments) in support of broader provincial objectives. The remaining 75 per cent is distributed back to First Nations communities via the First Nations Trust (FNT) and Community Development Corporations (CDCs). The FNT supports economic development, social development, justice, health, education, culture and other First Nations initiatives. The CDCs fund economic development, social development, justice, education, recreation, culture, health and other related initiatives among First Nations and non-First Nations organizations in and around the communities where the casinos are located.

Under the GFA, payments are also made from SIGA profits to: IGR ($3.2 million) to support its work in regulating charitable gaming on-reserve; the First Nations Addictions Rehabilitation Foundation ($2.25 million) for problem gambling services; and, to the FSIN ($250,000) to support its efforts to prepare proposals for the federal government regarding on-reserve gaming jurisdiction and for other gaming initiatives ($250,000) including administration of the GFA on behalf of First Nations. These payments are made prior to the profit distribution described previously.

SIGA opened the Dakota Dunes Casino in 2007-08 and the Living Sky Casino in 2008-09 resulting in the addition of 750 slot machines over two years. The additional slot machines contributed to the growth of SIGA's net income over the last five years. Net income for SIGA totalled $64.4 million in 2010-11.

	2006-07	2007-08	2008-09	2009-10	2010-11
SIGA Net Income	$48.8 M	$58.1 M*	$59.9 M	$65.1 M	$64.4 M

* 2007-08 SIGA net income was restated in 2008-09 to reflect expenses related to interest rate swap.

Source: SLGA Corporate Services Division

Ensure continuous improvement in internal operational efficiency and productivity

Results

- In 2011-12, SLGA will begin plans to implement the recommendations stemming from the distribution centre/supply chain review which includes an expanded warehouse facility to address capacity issues, improve commercial permittee service and reduce overall costs to SLGA.

- SLGA continues to review and monitor store operations and financial performance to ensure efficient delivery of service to the public. To ensure store operations are managed in a fiscally responsible manner, store manpower productivity metrics have been created and store operation reports are completed on a regular basis.

- In 2010-11, SLGA used Lean methodology to review its business processes to identify opportunities to streamline operations and increase efficiencies:

    - New processes relating to issuing liquor permits and VLT contracts were developed. The new processes will result in a reduction of site visits by an average of 50 per cent (two visits eliminated). Once the continuous improvement plan is fully implemented, the turnaround time between permit application and issuance will be reduced by more than 60 per cent.

    - SLGA conducted a Lean process mapping exercise (value stream mapping event) targeting the beer ordering system. The mapping exercise plotted out each step in the beer ordering process to identify potential areas for improvement and efficiencies. Improvements were identified for both immediate and future state application and to date, SLGA has experienced a significant reduction in beer order reconciliation issues. Monitoring of this process will continue to ensure further improvements are realized.

    - A value stream mapping event for liquor special orders was completed in January 2011. Short-term recommendations have been implemented and the long-term recommendations are under review.

- In 2010-11, SLGA replaced its retail store point of sale (POS) system in order to meet payment card compliance standards and allow for the secure processing of debit and credit card chip technology.

- SLGA engaged in discussion with FNMR, Tourism, Parks, Culture and Sport and SaskGaming to review gaming in Saskatchewan with a view to consolidate and streamline governance while maintaining an appropriate balance between revenue generation and social responsibility. (2010 Mandate Letter)

Measurement Results

Store Operating Costs as a Per Cent of Store Sales

This measure demonstrates SLGA's efforts to maximize liquor store revenues by using the least amount of operational resources (e.g., labour, capital and equipment). Although this indicator has increased in each of the last two years, the increases are attributed to one-time pension liability adjustments that occurred in 2008-09 and 2010-11. Relative to 2007-08, this efficiency measure indicates significant improvement in the efficiency of store operations with store costs continuing to grow at a lesser rate than the increase in liquor sales.

	2006-07	2007-08	2008-09	2009-10	2010-11
Store Operating Costs as % of Store Sales	12.7%	12.6%	10.6%*	11.1%	11.7%**

* In 2008-09, the Liquor Board Superannuation Plan changed its long-term economic discount rate assumption because of the economic market conditions. This change resulted in a $3.4 million reduction in store labour related pension costs.
** In 2010-11, the liability associated with the Liquor Board Superannuation Plan was increased due to a decline in the number of plan contributors and an increase in the projected life span of plan recipients. The one-time pension liability adjustment resulted in an increase in store pension costs of $3.9 million.

Source: SLGA Corporate Services Division

Warehouse Activity

- SLGA's distribution centre, located in Regina, processed 19,543 orders in 2010-11. The total number of orders equates to an average of 126 cases of product per order for stores and 31 cases per order for franchises. This represents an annual flow of approximately 1.85 million cases of beverage alcohol that are received, stored and ultimately shipped across the province. Actual cases handled per hour was 98, up from 95 in 2009-10.

Licensing, Regulating and Support Expenses as a Per Cent of Revenue

This efficiency measure depicts the overall cost of generating revenue. The measure reflects SLGA's efforts to optimize revenue and incorporates the expenditures that SLGA requires to meet its operational and regulatory roles. The measure is an indicator of how efficiently SLGA conducts its internal operations and uses public resources.

SLGA's licensing, regulating and support expenses as a percentage of revenue for the year ending March 31, 2011 is 3.3 per cent, down from 3.5 per cent in 2009-10. This ratio shows improvement relative to last year even with a one-time pension adjustment of $1.3 million in 2010-11 (increase in the Liquor Board Superannuation Plan liability).

	2006-07	2007-08	2008-09	2009-10	2010-11
Licensing, Regulation & Support Expenses* as % of Revenue	3.5%	3.7%	3.1%**	3.5%	3.3%***

* Grant expenses are not linked to the overall cost of generating revenue in the licensing and support function of SLGA and as such are not included in this measure.
** The Liquor Board Superannuation Plan changed its long-term economic discount rate assumption because of the economic market conditions. This change resulted in a $1.1 million reduction in head office labour related pension costs.
*** In 2010-11, the liability associated with the Liquor Board Superannuation Plan was increased due to a decline in the number of plan contributors and an increase in the projected life span of plan recipients. The one-time pension liability adjustment resulted in an increase in head office pension costs of $1.3 million.

Source: SLGA Corporate Services Division

VLT Net Income as a Per Cent of VLT Revenue

In 2010-11, VLT activity generated 81 cents in net income to SLGA for each dollar of VLT revenue. Prior to 2008-09, this operating ratio had been relatively constant at 75 cents per dollar of VLT revenue; however, SLGA's VLT inventory became fully amortized in 2008-09, significantly reducing annual operating expenses. The slight decline in 2010-11 corresponds to a decline in VLT revenue.

	2006-07	2007-08	2008-09	2009-10	2010-11
VLT Net Income as % of VLT Revenue	74.9%	74.9%	81.2%	81.1%	80.8%

Source: SLGA Corporate Services Division

SIGA Net Income as a Per Cent of SIGA Net Revenue

This measure indicates that SIGA earned almost 26 cents on each dollar of revenue it generated. The decline in this ratio relative to 2006-07 reflects an increase in expenditures associated with the opening of the Dakota Dunes and Living Sky casinos as well as construction costs associated with the expansion and relocation of the Painted Hand Casino in Yorkton.

	2006-07	2007-08	2008-09	2009-10	2010-11
SIGA Net Income as a % of SIGA Revenue	37.8%	31.5%	26.0%	26.7%	25.8%

Source: SLGA Corporate Services Division

Marginal Return on Expenses (MRE)

The MRE is intended to demonstrate SLGA's overall return on investment for the expenditures it makes. The measure expresses a ratio between the change in net income compared to the change in total expenses where any outcome greater than zero is a positive outcome. This measure reflects the principle that while operating expenses can increase, this growth in expenditures often translates into an increase in net income.

The 2010-11 MRE indicates that increased operating expenses translated into increased net income. The negative outcome in 2009-10 can be explained by the one-time adjustment of $4.5 million (reduction in the Liquor Board Superannuation Plan liability) that reduced expenses in 2008-09. Without this one-time expense reduction in 2008-09, growth in net income would have occurred in 2009-10, resulting in a positive MRE ratio. SLGA has some influence over aspects of this measure, especially regarding operating expenses and policy development aimed at growing net income over time. On average, over the five year period, this measure indicates that increased expenses and capital investment has translated into increased net income.

	2006-07	2007-08	2008-09	2009-10	2010-11
MRE	1.61	0.49	2.23	(0.11)	1.39

Source: SLGA Corporate Services Division

Provide responsive and high quality services to customers and stakeholders

Results

- SLGA's retail website, www.saskliquor.com, lists all products available at SLGA stores. Product information is updated daily to ensure customers can find information about the availability of products at SLGA stores in a timely manner. SLGA also closely monitors all inquiries received via the site to identify and remedy any possible gaps with website content.
- Historically, SLGA has conducted customer satisfaction surveys every two years to monitor overall levels of customer service and to measure customer response and demand for specific initiatives. A follow-up survey was planned for 2009-10; however, due to expenditure constraints, a decision was made to defer the survey until 2010-11. The customer satisfaction survey was conducted during February and March 2011. (2010 Mandate Letter)
- SLGA completed Phase 2 of the corporate rollout of its Customer Service Excellence training program by providing 28, one-day sessions to 620 participants. The training was designed to help improve the level of responsiveness and quality of service customers and stakeholders receive in the provision of SLGA goods and services.
- In 2010-11, SLGA began developing a Customer Service Strategy that will be rolled out across the organization. Prior to finalization of the strategy, SLGA will be consulting with its key stakeholders to discuss the strategy and proposed performance metrics.

Measurement Results

Product Offerings

- As of March 31, 2011, SLGA had 2,172 product listings, which includes general listings, specialty listings and domestic and imported beer. Another 1,361 special order products were available through the two specialty wine store franchises.

Customer Satisfaction Survey

Historically, the survey has been conducted via telephone interview. However, given trends in the market research industry including declining response rates via telephone and the increased prevalence of cell phone only households, SLGA decided to conduct this research online, via a research panel. Given that there can be differences in ratings on satisfaction questions between telephone and online surveying techniques, a tandem research study was conducted this year (telephone and online surveying). Specifically, the same survey was administered via both methods during the same time to enable direct telephone to telephone comparisons with the 2007-08 results as well as a comparison of the findings between telephone (700 respondents) and online (1,502 respondents) in 2010-11.

The survey results indicate a high level of customer satisfaction with retail liquor store service and that customer service is either meeting or exceeding customer expectations. The comparison of the phone survey results for 2010-11 indicate that customer satisfaction increased in 2010-11 relative to 2007-08. Similarly, the percentage of customers that indicated service met or exceeded their expectations increased relative to 2007-08.

Lower satisfaction ratings were received among online respondents. Due to mode bias and difference in sampling methodology, the online results are not directly comparable to historical phone survey results but can be used as a benchmark moving forward. Research experts explain lower online satisfaction results by the fact that unintended pressure is placed on respondents to offer a positive or socially acceptable response to a telephone interviewer while such pressure is not observed in online research. In addition to mode bias, telephone and online respondents (made up of individuals that have registered with research firms to participate in surveys) differ somewhat demographically, potentially contributing to differences in satisfaction levels and shopping patterns. For example, relative to the 2010-11 phone respondents, the online respondents tended to be younger and more educated and had a higher percentage of urban respondents. However, only age was found to be a statistically significant factor in overall satisfaction.

Customer Satisfaction Survey	2002-03 (phone)	2004-05 (phone)	2007-08 (phone)	2010-11 (phone)	2010-11 (online)
Satisfied with Customer Service	92%	91%	88%	92%	83%
Customer Service Meets or Exceeds Expectations	97%	96%	95%	97%	95%

Note: 2002-03 through 2007-08 survey results are considered accurate to within plus or minus 2.5 per cent at a 95 per cent confidence level. The 2010-11 phone survey results are considered accurate to within plus or minus 3.7 per cent. Online survey results were derived by a new sampling methodology (non-probability proportional sampling technique); therefore, the standard margin of error calculation is not applicable for the online study.

Source: SLGA Policy and Planning Division

Representative Workforce

Having a workforce that is representative of the population it serves is a key element to excelling in customer service. SLGA reviewed its representative workforce strategy in 2010-11 and is continually working to eliminate systemic barriers to recruitment and retention. Further, SLGA's representative workforce committee continues to evaluate options to advance its mandate. The following table depicts the employment status of the four equity groups within SLGA. SLGA has set the Saskatchewan Human Rights Commission's (SHRC) equity group employment targets as a long-term goal. In 2011, SHRC targets are 47 per cent of employees at all levels are female; 13.1 per cent are Aboriginal people; 9.7 per cent are persons with disabilities; and, 3.8 per cent are visible minorities. In 2010-11, SLGA showed improvement in the workforce representation of Aboriginal people and visible minorities and will continue to work toward the SHRC employment goals over the long term.

Equity Group	2006-07	2007-08	2008-09	2009-10	2010-11
Aboriginal People	5.2%	5.2%	4.3%	6.3%	6.9%
Women (Overall)	61.9%	61.8%	61.4%	62.7%	62.1%
Persons with Disabilities	2.7%	2.7%	1.9%	3.6%	3.6%
Visible Minority Persons	2.7%	2.7%	2.4%	2.8%	3.2%

Source: SLGA Human Resources Division

Financial Overview

The primary indicator of SLGA's financial success is SLGA's overall net income. SLGA's net income reflects the total net revenue generated by the province's liquor industry and the majority of the commercial gaming industry minus operating expenses, including associated regulatory and compliance costs.

Net income for 2010-11 was $442.5 million, $3.1 million below SLGA's budget projection of $445.6 million. SIGA net income was below budget projections by $3.6 million and VLT net income was $1.6 million below budget. Although sales revenue from the retail liquor sector exceeded budget projections, a one-time increase in the defined benefit pension liability resulted in net income falling $0.6 million below budget projections. These declines relative to budget were partially offset by $2.7 million in reduced licensing regulation and support expenses.

SLGA Net Income

Historically, SLGA has demonstrated a steady increase in its net income. This is a critical outcome as SLGA's net income is essential to providing sustainable funding in support of Government programs and services.

Relative to 2009-10, SLGA net income increased by $9.4 million. The net impact was driven by a $9.7 million increase in net income from liquor operations and a $3.0 million decline in gaming related licensing, regulation and support expenses (includes a $2.1 million decline in charitable gaming grants). These positive impacts were offset by a $2.6 million decline in VLT net income and a $0.7 million decline in SIGA net income.

	2006-07	2007-08	2008-09	2009-10	2010-11
SLGA Net Income	$370.3 M	$398.0 M	$435.0 M	$433.1 M	$442.5 M

Source: SLGA Corporate Services Division

Management's Report

The accompanying financial statements, and related financial information throughout the Annual Report, have been prepared by management using Canadian generally accepted accounting principles. Management is responsible for the integrity, objectivity and reliability of the financial statements.

SLGA's management has established and maintains a system of internal controls that provides reasonable assurance that transactions are recorded and executed in compliance with legislation and authority; assets are safeguarded; there is an effective segregation of duties and responsibilities; and, reliable financial records are maintained. An auditing function exists within SLGA, which objectively assesses the effectiveness of internal controls.

The Provincial Auditor has examined the SLGA's financial statements. The Auditor's Report to the Members of the Legislative Assembly of Saskatchewan expresses an independent opinion on the fairness of presentation of SLGA's financial statements in accordance with Canadian generally accepted accounting principles.

Barry C. Lacey, CA, CMA
President & CEO

R Wiley

Rod Wiley, CMA FCMA
Vice-President and CFO

Regina, Saskatchewan
June 13, 2011

Kent Paul, CA
Director, Financial Services

Independent Auditor's Report

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Saskatchewan Liquor & Gaming Authority, which comprise the statement of financial position as at March 31, 2011, and the statement of operations and retained earnings (deficit) and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

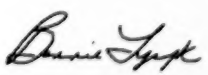
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Saskatchewan Liquor and Gaming Authority as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Regina, Saskatchewan
June 13, 2011

Bonnie Lysyk, MBA, CA•CIA
Provincial Auditor

Statement 1

SASKATCHEWAN LIQUOR AND GAMING AUTHORITY
STATEMENT OF FINANCIAL POSITION
As at March 31

	2011 (000's)	2010 (000's)
ASSETS		
Current assets:		
Cash	$ 1,590	$ 2,409
Due from General Revenue Fund (Note 3)	43,215	42,492
Accounts receivable (Note 7)	49,678	53,203
Prepaid expenses	1,025	729
Inventories (Note 2(d) & 5)	27,602	28,620
	123,110	127,453
Property, plant and equipment (Note 6 & 8)	39,776	48,308
	$ 162,886	$ 175,761
LIABILITIES AND RETAINED EARNINGS		
Current liabilities:		
Accounts payable and accrued liabilities	$ 23,150	$ 29,191
Payable to General Revenue Fund (Note 4)	98,303	116,121
Goods and Services Tax payable (Note 8)	1,359	862
	122,812	146,174
Accrued pension liability (Note 9)	45,222	40,174
	168,034	186,348
Retained earnings (deficit) (Statement 2)	(5,148)	(10,587)
	$ 162,886	$ 175,761

Commitments (Note 11)
Contingencies (Note 16)

(See the accompanying notes to the financial statements)

Statement 2

SASKATCHEWAN LIQUOR AND GAMING AUTHORITY
STATEMENT OF OPERATIONS AND RETAINED EARNINGS (DEFICIT)
For the Year Ended March 31

	2011		2010
	Budget (000's) (Note 13)	Actual (000's) (Note 14)	Actual (000's)
Revenues:			
Liquor sales (Note 12)	$ 548,828	$ 550,472	$ 541,095
VLT	229,179	223,265	225,835
Slot machines (Note 10)	252,713	235,479	229,965
License, permit, and other income	3,124	3,657	3,513
	1,033,844	1,012,873	1,000,408
Less promotion allowances (Note 2(b))	9,972	8,583	8,764
	1,023,872	1,004,290	991,644
Direct expenses:			
Cost of Liquor	269,668	268,929	272,098
VLT site commission (Note 2(c))	34,377	33,890	34,264
	304,045	302,819	306,362
Operating expenses (Schedule 1):			
VLT, liquor, and other gaming	99,502	96,512	96,102
Slot machines	152,106	140,942	140,221
Other (Note 10)	22,634	21,860	20,739
	274,242	259,314	257,062
Unrealized gain on interest rate swaps (Note 18)	---	345	4,867
Net income for the year	$ 445,585	442,502	433,087
Retained earnings (deficit), beginning of year		(10,587)	(13,750)
Transfer to General Revenue Fund (Note 4)		(437,063)	(429,924)
Retained earnings (deficit), end of year – to Statement 1		$ (5,148)	$ (10,587)

(See the accompanying notes to the financial statements)

SASKATCHEWAN LIQUOR AND GAMING AUTHORITY
STATEMENT OF CASH FLOWS
For the Year Ended March 31

	2011 (000's)	2010 (000's)
Cash flows provided by (used in) operating activities:		
Cash receipts from liquor sales, VLT, slot machines, and other revenue	$ 1,044,004	$ 1,008,730
Interest received	191	97
Payments made to suppliers, employees and other	(554,988)	(542,202)
Payments made to grant recipients	(10,226)	(10,134)
Payment of Goods and Services Tax	(18,682)	(22,201)
	460,299	434,290
Cash flows provided by (used in) investing activities:		
Purchase of property, plant and equipment	(5,623)	(7,337)
Disposition of property, plant and equipment	109	564
	(5,514)	$ (6,773)
Cash flows (used in) financing activities:		
Cash deposited in General Revenue Fund (Note 4)	(454,881)	(427,512)
Net (decrease) increase in cash position	(96)	5
Cash position, beginning of year	44,901	44,896
Cash position, end of year	$ 44,805	$ 44,901
Cash position consists of:		
Cash	$ 1,590	$ 2,409
Due from General Revenue Fund	43,215	42,492
	$ 44,805	$ 44,901

(See the accompanying notes to the financial statements)

SASKATCHEWAN LIQUOR AND GAMING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2011

1. Description of Business

The Saskatchewan Liquor and Gaming Authority (SLGA) operates under *The Alcohol and Gaming Regulation Act, 1997*. SLGA's mandate is to support, develop and regulate the Saskatchewan liquor and gaming industries and to maximize public benefit through high quality services and products.

SLGA operates retail liquor stores and video lottery terminals. SLGA conducts and manages the breakopen vending machine program in the Province. It also owns and manages the slot machines at the Saskatchewan Indian Gaming Authority's (SIGA) casinos. Revenue from slot machines at SIGA's casinos and related expenses are included in these statements.

2. Significant Accounting Policies

Pursuant to standards established by the Public Sector Accounting Board, SLGA is classified as a government business enterprise. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP), applicable to for-profit entities. The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates that affect the reported value of assets, liabilities, and disclosed contingent liabilities and commitments at the date of the financial statements, and the amounts of revenue and expenses for the year then ended. The most significant estimates are related to the physical and economic lives of capital assets and accrued pension liability. Actual results could differ from those estimations. The significant policies are described below.

(a) Revenue

Liquor Sales

Sales are recorded net of returns, container deposits, Goods and Services Tax, Liquor Consumption Tax and discounts.

License Fees

Liquor and gaming license fees are recorded when the license is approved. Exhibition casino license fees are based on the net revenue generated by the exhibition casino. SLGA records these fees as the exhibition casino generates net revenue.

Video Lottery Terminals (VLT)

Revenue is recorded net of prize payouts.

Slot Machines

Revenues from casino slot machines are recorded net of prize payouts.

(b) Promotional Allowances

SIGA offers a customer loyalty program to its patrons. As part of the program, club members accumulate points based on amounts wagered and can redeem their points for cash. The cash value of the points accumulated is recorded as a promotional allowance.

(c) VLT Site Commission

Establishments where VLTs are located are entitled to a commission based on 15% of the VLT revenue earned. The commission is recorded as the VLT revenue is earned.

(d) Inventories

Inventories of wines, coolers, spirits, beer and gaming machine parts are valued at the lower of average cost and net realizable value.

Cost for liquor inventories is determined using the weighted average cost method. Cost for gaming machine parts is determined principally on a first-in, first-out basis. Inventory cost includes the costs of purchase plus other costs, such as excise duties and taxes and transportation that are directly incurred to bring inventories to their present location. Previous write-downs of inventories to net realizable values are reversed when inventory values increase.

(e) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated amortization. Property, plant and equipment are amortized commencing in the year in which these assets are placed in service on a straight-line basis at rates designed to allocate the cost of these assets over their estimated useful lives. Rates are as follows:

Buildings	2.5 – 20% per annum
Furniture & equipment	15 – 33% per annum
VLT and slot machines	20% per annum
Breakopen vending machines	15 – 33% per annum

Leasehold improvements are amortized over the lesser of the life of the asset or the term of the lease.

(f) Foreign Currency

Monetary assets and liabilities denominated in foreign currencies are translated at the year-end exchange rates. Revenues and expenses are translated at rates of exchange prevailing on the transaction dates. Translation gains and losses on foreign currency denominated monetary items are taken into income in the current year.

(g) Pension Expense

The cost of the pension benefits earned by employees, who are members of SLGA's defined benefit plan (closed to new members since 1977), is determined using the projected benefit method prorated on service. The amount of the expense reflects management's best estimate of the plan's expected investment performance, salary escalation, mortality of members, terminations, and the ages at which members will retire and post retirement increases, based upon the Consumer Price Index, as required by *The Superannuation (Supplementary Provisions) Act.*

The discount rate used to determine the accrued benefit obligation is determined by reference to market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and the amount of expected benefit payments. Pension plan assets are valued at fair value (market value) for the purposes of calculating the expected return on plan assets. The net actuarial gain (loss) and plan amendments are amortized beginning in the year they arise over the expected average remaining service life of members of the defined benefit plan.

Employees hired after 1977 are members of a defined contribution pension plan. SLGA expenses contributions it is required to make for current service of those employees. SLGA's liability for these employees is limited to the required employer's contributions.

(h) Grants

Grants are recognized when approved and eligibility criteria, if any, are met.

(i) Financial Instruments

Held for trading financial assets are measured at fair value. Changes in the fair value are recognized in the Statement of Financial Position and Statement of Operations and Retained Earnings (Deficit). For Cash and Due from General Revenue Fund, their fair value is determined at cost, which approximates market value. Cash denominated in foreign currency is translated at the foreign exchange rate in effect at year end.

Loans and receivables and other financial liabilities are measured at amortized cost. Due to their short-term nature, the amortized cost of these instruments approximates their fair value.

Fair value for the Payable to the General Revenue Fund cannot be determined because of the nature of the account.

Pursuant to the Casino Operating Agreement (Note 10), SLGA authorized SIGA to enter into long-term debt arrangements. It also authorized SIGA to enter into interest rate swaps in order for SIGA to manage the interest rate exposure on its long-term debt. SLGA's exposure to the interest rate risk arising from this long-term debt, the interest rate swap arrangements, and SIGA's other financial instruments is disclosed in Note 18. Changes in the fair value of the interest rate swaps are recorded as an unrealized gain or loss in the year they occur.

SLGA has not identified any material embedded derivatives in any of its financial instruments that are required to be separately valued.

(j) Recent Accounting Pronouncements

The Canadian Accounting Standards Board (AcSB) announced in 2008 that they will require all publicly accountable enterprises to adopt International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). IFRS will replace current Canadian GAAP for those enterprises effective January 1, 2011. For SLGA, IFRS will be effective for annual periods commencing April 1, 2011 as described in Note 19.

3. Due from General Revenue Fund

Most of SLGA's bank accounts are included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. During the year, the General Revenue Fund did not pay interest on SLGA's bank accounts.

4. Disposition of Retained Earnings

Subsection 182(5) of *The Alcohol and Gaming Regulation Act, 1997* (Act) allows SLGA to provide interest free advances to the Minister of Finance for deposits in the General Revenue Fund (GRF) until the Treasury Board determines the disposition of SLGA's retained earnings. Under subsection 182(1) of the Act, the Treasury Board may, at any time, direct that all or any portion of SLGA's retained earnings be transferred to the GRF. The Treasury Board has directed SLGA to transfer $437,063 thousand (2010 - $429,924 thousand) to the GRF under subsection 182(1) of the Act. At March 31, amounts payable to GRF were determined as follows:

	2011 (000's)	2010 (000's)
Payable to GRF at beginning of year	$ (116,121)	$ (113,709)
Deposits during the year	454,881	427,512
Transfer to GRF	(437,063)	(429,924)
Payable to GRF at end of year	$ (98,303)	$ (116,121)

5. Inventories

	2011 (000's)	2010 (000's)
Wines, coolers and spirits in stores	$ 5,371	$ 7,607
Wines, coolers and spirits in warehouse	10,844	11,392
Beer in stores	7,348	5,844
Gaming machine parts	4,039	3,777
	$ 27,602	$ 28,620

The cost of liquor and gaming machine parts inventories recognized as an expense during the year ending March 31, 2011 was $268,929 thousand and $509 thousand respectively. During the year, SLGA had no write-downs of inventory below cost and no reversals of inventories previously written down. As of March 31, 2011 there was no amount of inventory pledged as security.

6. Property, Plant and Equipment

	2011			2010		
	Cost (000's)	Accumulated Amortization (000's)	Net Book Value (000's)	Cost (000's)	Accumulated Amortization (000's)	Net Book Value (000's)
Land	$ 2,292	$ ---	$ 2,292	$ 2,292	$ ---	$ 2,292
Buildings	30,166	18,466	11,700	30,145	17,462	12,683
VLT	70,229	69,900	329	70,345	69,715	630
Slot Machines	55,393	38,753	16,640	54,791	30,992	23,799
Furniture & equipment	39,313	31,157	8,156	37,306	29,394	7,912
Breakopen vending machines	2,978	2,976	2	2,978	2,976	2
Leasehold Improvements	8,428	7,771	657	8,393	7,403	990
	$ 208,799	$ 169,023	$ 39,776	$ 206,250	$ 157,942	$ 48,308

7. Accounts Receivable

	2011 (000's)	2010 (000's)
Slot machines receivable – SIGA	$ 46,276	$ 49,845
VLT receivable	2,347	1,787
Other	1,055	1,571
	$ 49,678	$ 53,203

8. Goods and Services Tax (GST)/Harmonized Sales Tax (HST)

SLGA is on the prescribed list of lottery corporations pursuant to Section 188 of the Federal *Excise Tax Act*. In lieu of collecting GST on VLT and slot revenue at the retail level, SLGA calculates and remits GST according to a formula prescribed by the Canada Revenue Agency.

The formula required SLGA to pay 10% on the purchase of taxable goods and services related to gaming programs but only 5% on VLT site contractor commissions.

The GST paid on property, plant and equipment for gaming is set up as part of the cost of the asset and is amortized on a straight-line basis over the useful life of the property, plant and equipment.

SLGA also pays GST/HST to the Canada Revenue Agency and claims input tax credits on all its liquor and other taxable purchases.

9. Pension Plan

SLGA sponsors a defined benefit plan and participates in a multi-employer defined contribution plan covering substantially all of its employees. The defined contribution plan is called the Public Employees Pension Plan (PEPP). During the year, SLGA paid PEPP and expensed a total of $2,687 thousand (2010 - $2,633 thousand) which included required current contributions.

The Liquor Board Superannuation Commission administers the defined benefit plan, Liquor Board Superannuation Plan (Plan), for SLGA. The Plan provides pensions calculated at 2% of a member's average salary for the five years of highest salary, multiplied by the number of years of service to a maximum of 35. This Plan has been closed to new members since 1977.

AON Hewitt performed the valuation of the Plan as at September 30, 2008 and extrapolated the valuation to December 31, 2010. The accrued benefit obligation is based on a number of assumptions about future events including: discount rate, rate of salary increases, mortality, retirement rates, and inflation. The following significant assumptions were adopted in measuring the accrued benefit obligation:

	2011	2010
Expected long-term rate of return on plan assets	6.25%	6.00%
Discount Rate	5.10%	5.80%
Salary increases	3.50%	3.50%
Indexing increases to pensions as % of Consumer Price Index	70%	70%
Expected average remaining service life	1.4 years	1.4 years

A 1% change in the following assumptions would impact the accrued benefit obligation as described below:

Assumption	Impact (% of ending accrued benefit obligation)
Discount rate	10.70
Salary	0.10
Inflation	2.75

SLGA's pension costs are included in salary, wages, and benefits on Schedule 1.

	2011 (000's)	2010 (000's)
Current service cost – defined benefit plan	$ 216	$ 257
Current service cost – defined contribution plan	2,687	2,633
Interest cost	2,686	2,581
Expected return on pension plan assets	(587)	(568)
Amortization of actuarial losses	6,533	1,351
	$ 11,535	$ 6,254

Information about SLGA's defined benefit plan is as follows:

	2011 (000's)	2010 (000's)
Accrued benefit obligation		
Accrued benefit obligation, beginning of year	$ 54,205	$ 45,845
Current service cost – employer	216	257
Current service cost – employee	59	90
Interest cost	2,686	2,581
Benefits paid	(3,646)	(3,375)
Experience (gain) loss	3,914	8,807
	$ 57,434	$ 54,205
Plan Assets		
Fair value of plan assets, beginning of year	$ 9,583	$ 10,454
Actual return on plan assets	818	1,110
Employer contributions	3,219	1,304
Employee contributions	59	90
Benefits paid	(3,646)	(3,375)
Fair value of plan assets, end of year	$ 10,033	$ 9,583
Funded status	$ 47,401	$ 44,622
Unamortized net actuarial gains/(losses)	(2,179)	(4,448)
Accrued pension liability	$ 45,222	$ 40,174

The plan holds all of its assets in various pooled funds. The Plan's holdings consist of 23.6% (2010 – 24.5%) in a Canadian equity pooled fund, 29.3% (2010 – 27.7%) in foreign equity pooled funds, 41.7% (2010 – 44.9%) in a bond and debenture pooled fund and 5.4% (2010 – 2.9%) in a money market pooled fund.

The forecast of net cash outflows (cash outflows net of cash inflows) for the Plan have been determined using the long-term assumptions noted above and are described below. The cash inflow is the amount of contributions received by the defined benefit plan and the cash outflow is the amount required to pay all pension obligations. The net cash outflows include a 6.25% (2010 – 6.00%) assumed rate of return on investments and employer contributions calculated as 80.1% of total benefit payments.

	Net Cash Outflow (000's)
Next 5 years	$ 1,455
Next 10 years	$ 2,917
Next 30 years	$ 8,051

The accrued pension liability is long-term in nature and there is no market for settling these pension obligations. Therefore, the determination of the fair value of the pension liability is not practicable.

10. Casino Operating Agreement with the Saskatchewan Indian Gaming Authority

Effective June 11, 2007 the Province and the Federation of Saskatchewan Indian Nations (FSIN) agreed to amend the 2002 Framework Agreement for the purpose of increasing economic and employment opportunities for Aboriginal peoples through casino development within the parameters of the *Criminal Code of Canada*. This amendment also permitted SIGA to retain $5 million from slot machine operations as a one-time capital reserve for the sole purpose of acquiring capital assets. This $5 million is a receivable due from SIGA and is included in slot machine receivable disclosed in Note 7.

The 2002 Framework Agreement has a term of 25 years. Similar to its predecessor, the 1995 Framework Agreement, the 2002 Framework Agreement requires the Province to retain a portion of the net profits from slot machines in the GRF and distribute the remaining profits to the First Nations Trust, and the Community Development Corporations.

To implement the Framework Agreement, SLGA and SIGA made agreements for casino operations and slot machine management. The Casino Operating Agreement requires SIGA to pay the net profits from slot machines to SLGA. This agreement also ensures SLGA recovers the cost of slot machines, the related computer system, and interest over five years.

Also under the Agreement, SIGA has granted a first charge security interest on all its present and after acquired assets to SLGA to secure contractual obligations of SIGA under the Agreement. However, the Agreement requires SLGA, upon joint written request by SIGA and its lenders, to postpone such security in favour of the lenders who require a prior charge relating to funds lent to SIGA for the financing of its operations carried out in accordance with the Agreement. As of March 31, 2011, SIGA owes $68,220 thousand under a $79,000 thousand long-term financing agreement with a financial institution (Bank) (Note 11). SLGA has postponed its security in regards to this financing agreement.

In order to manage its interest rate exposure, SIGA entered into separate interest rate swap arrangements for its long-term debt related to the Dakota Dunes, Living Sky and Painted Hand construction projects. The interest rate swaps came into effect on April 1, 2008 and April 1, 2009. These swap arrangements fixed the interest rates at 4.94% to 5.09% for the duration of the long-term debt (March 31, 2023 and March 31, 2024).

Under the Casino Operating Agreement between SIGA and SLGA, SIGA is permitted to charge its losses from table games and ancillary operations as an expense of slot machine operations. As well, the Casino Operating Agreement requires SIGA to pay to the Indigenous Gaming Regulators Inc. (IGR) funds equal to IGR's operating budget upon direction from SLGA.

Effective for the year ended March 31, 2008 and subsequent years, the Casino Operating Agreement between SIGA and SLGA has been amended to exclude unrealized gains and losses on the interest rate swaps initiated on December 12, 2007, from the calculation of net Casino profits payable to SLGA. These unrealized gains and losses are netted against the slot machines receivable due from SIGA disclosed in Note 7. As of March 31, 2011, the accumulated unrealized loss reducing the slot machines receivable was $5,148 thousand (2010 – $5,493 thousand).

In addition, under an agreement with Saskatoon Prairieland Park Corporation (SPPC), SIGA is required to pay SPPC compensation for the closure of its casino (Note 11).

During the year, SIGA charged losses as an expense of slot machine operations, and paid IGR and SPPC as follows:

	2011 (000's)	2010 (000's)
Table games revenues	$ 9,731	$ 11,257
Table games expenses	13,979	15,012
Net losses from table games	$ 4,248	$ 3,755
Ancillary operations revenues	$ 12,980	$ 11,042
Ancillary operations expenses	24,760	22,514
Net losses from ancillary operations	$ 11,780	$ 11,472
Total losses expensed	16,028	15,227
IGR payment	3,232	2,912
SPPC payment	2,600	2,600
	$ 21,860	$ 20,739

11. Commitments

SLGA

Leases: SLGA, as lessee, is committed to pay under operating leases on leased premises the following minimum amounts in future years:

Year Ending March 31	(000's)
2012	$ 3,983
2013	3,869
2014	3,719
2015	2,320
2016	1,201
Subsequent years	615
Total	$ 15,707

SIGA Leases, Casino and Debt

Under the Casino Operating Agreement, SLGA allows SIGA to recover its costs for approved casino operating expenses, contractual obligations, and commitments from SLGA's slot machine revenues. SIGA's contractual obligations and commitments are as follows:

Operating leases: SIGA has obligations under casino operating leases for buildings, equipment and vehicles. SIGA has also previously committed to providing sponsorship funding to various agencies. The minimum lease payments over the next five years are as follows:

Year Ending March 31		(000's)
2012	$	5,022
2013		4,281
2014		3,791
2015		3,168
2016		3,147
	$	19,409

The above commitments include amounts committed to parties related to SIGA totalling $16,702 thousand for years 2012 through 2016.

Capital Leases: SIGA has entered into a capital lease agreements for the Dakota Dunes, Living Sky and Painted Hand Casinos with related parties. The minimum lease payments under these capital lease obligations are as follows:

Year Ending March 31		(000's)
2012	$	6,471
2013		6,471
2014		6,471
2015		6,471
2016		6,471
Subsequent years		76,739
Total	$	109,094

Due to the related party nature of the capital lease obligation, fair value information has not been disclosed as fair value cannot be reliably measured.

Long-term debt: In 2007, SIGA made a long-term financing agreement with the Bank for $79,000 thousand to finance the new casino projects. As of March 31, 2011, SIGA owes $68,220 thousand (2010 - $73,098 thousand) under this agreement at interest rates varying from 4.94% to 5.09%. SIGA's principal repayments are as follows:

Year Ending March 31	(000's)
2012	$ 4,971
2013	5,088
2014	46,908
2015	11,253
Total	$ 68,220

Other: The Casino Operating Agreement requires SIGA to transfer to IGR funds to support IGR's annual operating budget. For 2012, the budgeted transfers are $3,232 thousand (2011 - $3,407 thousand).

As well, under an agreement with SPPC and effective August 10, 2007, SIGA began paying SPPC $2,600 thousand annually, subject to certain conditions, for 30 years payable in monthly installments of $217 thousand. In 2011, SIGA paid $2,600 thousand (2010 - $2,600 thousand) to SPPC, which is recorded as part of the SIGA other operating expenses.

12. Liquor Sales

	2011 (000's)	2010 (000's)
Wines, coolers and spirits		
In stores:		
-To permittees	$ 58,859	$ 58,349
-To public	199,981	191,495
	258,840	249,844
To franchisees:		
-To permittees	5,960	6,447
-To public	26,910	25,665
	32,870	32,112
	291,710	281,956
Beer		
-To permittees	138,071	142,401
-In stores	109,326	105,499
-To franchisees	11,365	11,239
	258,762	259,139
Total	$ 550,472	$ 541,095

13. 2011 Budget

These amounts represent the budget approved by Treasury Board.

14. Segmented Information

SLGA operates in four segments – liquor, VLT, slots in SIGA casinos, and other gaming.

The liquor segment reflects the retailing and licensing of beverage alcohol activities within the province.

The VLT segment reflects the operation of the VLT program under the authority of Section 207 of the *Criminal Code of Canada* and *The Alcohol and Gaming Regulation Act, 1997.*

The slots in SIGA casinos segment reflect the operations of SLGA's slot machines in SIGA casinos (see Note 10).

The Other Gaming segment reflects the licensing and support of charitable and religious organizations that conduct and manage bingos, casinos, raffles, and breakopen ticket sales and the regulation and support of the horse racing industry. The Other Gaming segment also includes the breakopen vending machine program.

The breakopen vending machine operations consists of vending machines capable of dispensing lottery tickets that may have a stipulated prize hidden under a paper covering. On behalf of SLGA, tickets for the breakopen vending machine (breakopen) operation are distributed by Pollard Banknote Limited Partnership. The breakopen operation had revenues net of prizes of $497 thousand (2010 - $497 thousand) and expenses (including operating expenses, Goods and Services Tax, and distributions to charities) of $462 thousand (2010 - $497 thousand) for the year. Included in Other Gaming segment is a $35 thousand net income (2010 - $nil net income) relating to the breakopen operation.

Key amounts by segment as follows:

	SEGMENTS					
	2011 (000's)					2010 (000's)
	LIQUOR	VLT	SLOTS IN SIGA CASINOS	OTHER GAMING	TOTAL	TOTAL
Revenues	$ 550,472	$ 223,265	$ 235,479	$ ---	$ 1,009,216	$ 996,895
Other Income	3,067	83	---	507	3,657	3,513
Total Revenues	553,539	223,348	235,479	507	1,012,873	1,000,408
Promotional Allowances	---	---	8,583	---	8,583	8,764
Direct Expenses	268,929	33,890	---	---	302,819	306,362
Operating Expenses	69,621	8,997	162,802	17,894	259,314	257,062
Total Expenses	338,550	42,887	171,385	17,894	570,716	572,188
Subtotal	214,989	180,461	64,094	(17,387)	442,157	428,220
Unrealized gain on Interest rate swaps (Note 18)	---	---	345	---	345	4,867
Net income (loss)	214,989	180,461	64,439	(17,387)	442,502	433,087
Retained earnings (deficit) beginning of year	---	---	(10,587)	---	(10,587)	(13,750)
Transfer to General Revenue Fund	214,989	180,461	59,000	(17,387)	437,063	429,924
Retained earnings (deficit) end of year	$ ---	$ ---	$ (5,148)	$ ---	$ (5,148)	$ (10,587)
Property, plant and equipment purchases	$ 2,986	$ 204	$ 2,433	$ ---	$ 5,623	$ 7,337
Amortization	$ 3,442	$ 423	$ 9,834	$ 417	$ 14,116	$ 14,020

15. Related Parties

These financial statements include transactions with related parties. SLGA is related to all Saskatchewan Crown agencies such as ministries, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, SLGA is related to non-crown enterprises that the Government jointly controls or significantly influences. In addition, for financial reporting purposes, SLGA is considered a related party to SIGA because of its significant influence over SIGA's operations.

Routine operating transactions with related parties are recorded at the agreed upon rates and are settled on normal trade terms. These transactions are as follows:

Category	2011 (000's)	2010 (000's)
Salaries, wages, and benefits	$ 12,934	$ 7,553
Rent, utilities, and insurance	3,421	4,142
Customer service programs	369	661
Communications	348	545
Accounts payable and accrued liabilities	2,872	4,999

In addition, SLGA pays Saskatchewan provincial sales tax to the Saskatchewan Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

SLGA collected the following amount for the Ministry of Finance:

	2011 (000's)	2010 (000's)
Container deposits on domestic beer sales	$ 24,124	$ 24,975
Liquor Consumption Tax	29,648	30,513
Container deposits on all wine, cooler, spirit and Imported beer products	6,165	6,239

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

16. Contingencies

As part of ongoing operations SLGA faces legal actions initiated by third parties and contract disputes. At year-end there were actions outstanding against SLGA, which the ultimate outcome is not yet determinable. Settlements arising from the resolution of these actions will be accounted for in the year in which the settlements occur.

17. Western Canada Lottery Corporation

The Saskatchewan Video Lottery Division (Division) of the Western Canada Lottery Corporation (WCLC) operates the video lottery terminals and central computer system on behalf of SLGA. WCLC provides accounting, purchasing, cash disbursements, human resources and technical services for the VLT program. WCLC also operates and generally maintains the slot machines and related computer system at the SIGA casinos for SLGA and the breakopen vending machines on behalf of SLGA. For the year ended March 31, 2011, WCLC charged SLGA $12,888 thousand (2010 - $12,593 thousand) to operate the VLT, slot machine program and the breakopen vending machines for the year.

WCLC sponsors a defined benefit retirement plan for the employees of the Division. The cost of the retirement plan is included in the amount paid to WCLC. During the year, SLGA paid WCLC and expensed a total of $785 thousand (2010 - $727 thousand) which is included in salary, wages, and benefits on Schedule 1.

As of March 31, 2011, the retirement plan is in a funded deficit status of $1,850 thousand (2010 - $2,001 thousand funded deficit status)

18. Financial Instrument Risks

SLGA is exposed to a number of financial risks in the normal course of operations.

Credit and Interest Rate Risk

SLGA is exposed to minimal credit and interest risks from the potential non-payment of accounts receivable as most receivables are either short-term and are collected shortly after year end or are from SIGA. SLGA exerts significant influence over SIGA's operations and SIGA remits the amount owing to SLGA in accordance with the Casino Operating Agreement described in Note 10. The VLT receivable is collected shortly after March 31 in accordance with the agreement for services between SLGA and WCLC as described in Note 17.

The maximum credit risk from these financial instruments is limited to the carrying value of the financial assets summarized below:

	2011 (000's)	2010 (000's)
Cash	$ 1,590	$ 2,409
Due from General Revenue Fund	43,215	42,492
Accounts Receivable	49,678	53,203
	$ 94,483	$ 98,104

As described in Note 2(i), SLGA is exposed to the SIGA's credit and interest rate risks. SIGA's financial instrument risks arise mainly from its bank financing ($68,220 thousand – March 31, 2011; $73,098 thousand – March 31, 2010) and its interest rate swap arrangements which are partially offset by changes in interest rates on its variable borrowings. At March 31, 2011, if interest rates at that date had changed 100 basis points, with all other variables held constant, SLGA's net income would have changed $3,325 thousand.

As of March 31, 2011, there was no impairment required on any of the financial assets of SLGA and SIGA.

Foreign Currency Exchange Risk

SLGA is exposed to foreign exchange risk due to purchase transactions for liquor and electronic gaming machines. As of March 31, 2011, SLGA had $24 thousand (2010 - $132 thousand) in United States (U.S.) financial liabilities. SLGA is also exposed to foreign exchange risks resulting from a U.S. dollar denominated cash deposit account. This U.S. dollar denominated cash deposit account is included in SLGA's group of Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. As of March 31, 2011, SLGA has $652 thousand (2010 – $486 thousand) in this account.

In 2011, SLGA recorded a $28 thousand gain (2010 - $7 thousand loss) due to the variation in the foreign exchange rates.

To date, SLGA has not entered into financial derivative contracts to manage exposure to fluctuations in foreign exchange rates.

Liquidity Risk

Liquidity risk is the risk that SLGA will not be able to meet its financial obligations as they fall due. The majority of SLGA operational activity involves cash sales and short-term accounts receivables. SLGA relies on funds generated from its operations to meet operating requirements and to finance capital investment.

Contractual Cash flows - 2011
(In 000's)

FINANCIAL LIABILITIES	Carrying amount	Total	0 - 6 months	7 - 12 months	1 - 2 years	3 - 5 years	Greater than 5 years
Accounts payable and accrued liabilities	$ 23,150	$ 23,150	23,150	---	---	---	---
Payable to the GRF	98,303	98,303	98,303	---	---	---	---
GST Payable	1,359	1,359	1,359	---	---	---	---
Accrued pension liability	45,222	45,222	2,190	2,190	4,380	8,760	27,702
	$ 168,034	$ 168,034	$ 125,002	$ 2,190	$ 4,380	$ 8,760	$ 27,702

Contractual Cash flows - 2010
(In 000's)

FINANCIAL LIABILITIES	Carrying amount	Total	0 - 6 months	7 - 12 months	1 - 2 years	3 - 5 years	Greater than 5 years
Accounts payable and accrued liabilities	$ 29,191	$ 29,191	29,191	---	---	---	---
Payable to the GRF	116,121	116,121	116,121	---	---	---	---
GST Payable	862	862	862	---	---	---	---
Accrued pension liability	40,174	40,174	1,650	1,650	3,300	6,600	26,974
	$ 186,348	$ 186,348	$ 147,824	$ 1,650	$ 3,300	$ 6,600	$ 26,974

19. International Financial Reporting Standards

SLGA will report its financial statements in accordance with IFRS on April 1, 2011, including the preparation and reporting of one year of comparative figures. SLGA will also present an opening IFRS statement of financial position at April 1, 2010, SLGA's date of transition, as part of SLGA's 2011-12 financial statements.

SLGA's management has assessed the greatest financial impact of the convergence of Canadian GAAP to IFRS to include:

(i) First Time Adoption of IFRS due to the choices that will have to be made, the dual recordkeeping that will be required in 2011 and the significant disclosures that will be required in 2012;

(ii) Property, plant and equipment due to the detailed differences between Canadian GAAP and IFRS; and

(iii) Employee benefits due to the detailed differences between Canadian GAAP and IFRS.

20. Capital

SLGA's capital structure consists of short term and long term debt, cash and cash equivalents, and retained earnings. The Treasury Board determines the disposition of SLGA's retained earnings (Note 4). SLGA management's objectives to manage its capital are to use capital to provide an appropriate return on investment to the Government of Saskatchewan and to preserve financial flexibility in order to maintain SLGA's ability to meet financial obligations.

SLGA does not set a target rate of return on capital for managing its operations but rather promotes year-over-year sustainable profitable growth. SLGA is not subject to any externally imposed capital requirements.

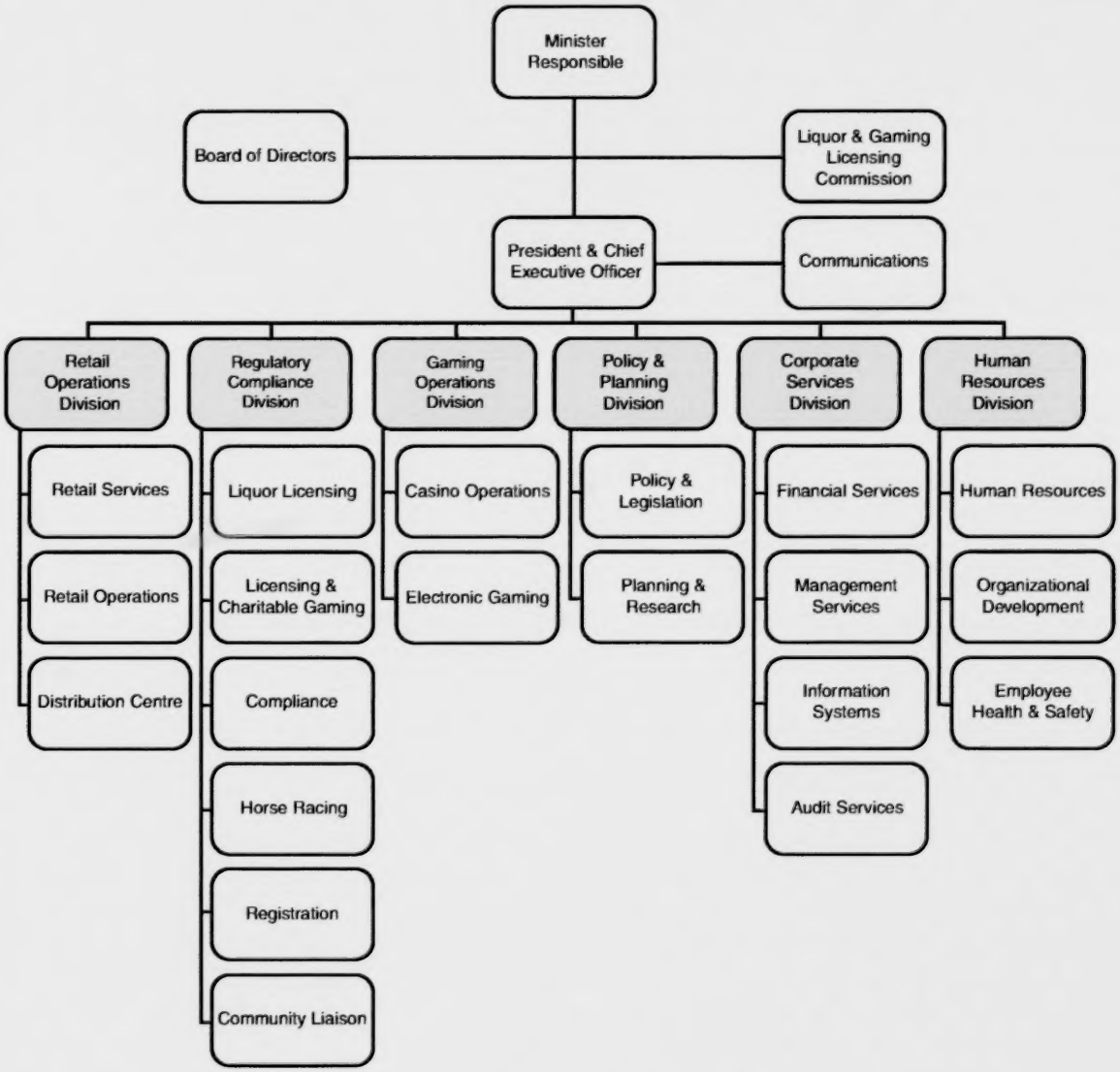
Schedule 1

SASKATCHEWAN LIQUOR AND GAMING AUTHORITY
SCHEDULE OF OPERATING EXPENSES
For the Year Ended March 31

	VLT, Liquor & Other Gaming		Slots in SIGA Casinos*		Total	
	2011 (000's)	2010 (000's)	2011 (000's)	2010 (000's)	2011 (000's)	2010 (000's)
Salaries, wages and benefits	$ 55,261	$ 50,442	$ 53,757	$ 50,929	$ 109,018	$ 101,371
Advertising, printing and promotion	56	73	24,015	26,131	24,071	26,204
Operations and maintenance	1,753	2,370	21,603	22,428	23,356	24,798
Rent, utilities and insurance	7,311	7,357	9,519	9,480	16,830	16,837
Property, plant and equipment amortization	4,282	4,551	9,834	9,469	14,116	14,020
Professional and contractual services	7,289	8,368	4,355	4,016	11,644	12,384
Service charges and interest	562	575	8,547	8,726	9,109	9,301
Grants (Note 2h)	8,683	10,859	---	---	8,683	10,859
Goods and Services Tax	2,086	1,965	3,760	3,658	5,846	5,623
Debit/Credit charges	3,160	2,996	---	---	3,160	2,996
Communications	1,240	1,283	1,499	1,570	2,739	2,853
Stationery and supplies	1,200	1,331	834	810	2,034	2,141
Sundry	592	545	1,677	1,537	2,269	2,082
Travel and business	1,082	1,227	675	853	1,757	2,080
Information technology	1,725	1,933	---	---	1,725	1,933
Honoraria and related expenses	112	104	867	614	979	718
Customer service programs	118	123	---	---	118	123
Indigenous Gaming Regulators (Note 10)	---	---	3,232	2,912	3,232	2,912
Saskatoon Prairieland Park Corporation (Note 10)	---	---	2,600	2,600	2,600	2,600
SIGA table and ancillary operation losses (Note 10)	---	---	16,028	15,227	16,028	15,227
	$ 96,512	$ 96,102	$ 162,802	$ 160,960	$ 259,314	$ 257,062

*Represents operating costs of SIGA Casinos.

Appendix A
SLGA Organizational Chart



Appendix B
Summary of SLGA's Partners and Stakeholders

Bingo Charity Associations and Individual Non-profit Groups. Charity associations and individual non-profit groups are the traditional beneficiaries of the gaming industry.

Brewers Association of Canada. Represents the brewers as well as several regional breweries. www.brewers.ca

Canadian Centre on Substance Abuse (CCSA). The Canadian Centre on Substance Abuse is Canada's national addictions agency. Its mission is to provide objective, evidence-based information and advice that will help reduce the health, social and economic harm associated with substance abuse and addictions. www.ccsa.ca

Canadian Partnership for Responsible Gambling (CPRG). The Canadian Partnership for Responsible Gambling is a collaboration of non-profit organizations, gaming providers, research centres and regulators working to find and promote effective ways to reduce the risk of problem gambling. www.cprg.ca

Canadian Restaurant and Foodservices Association (CRFA). (Saskatchewan Division). The CRFA has approximately 600 members in Saskatchewan including both licensed and non-licensed establishments. www.crfa.ca

Canadian Vintners Association. This is a national association dedicated to the promotion and wellbeing of Canada's wine sector. www.canadianvintners.com

Federation of Saskatchewan Indian Nations (FSIN). The FSIN represents 74 of Saskatchewan's First Nations. SLGA works with the FSIN in implementing the terms of the Gaming Framework Agreement. www.fsin.com

Indigenous Gaming Regulators (IGR). IGR licenses and regulates table games at SIGA casinos and on-reserve charitable gaming activities of those First Nations that have designated IGR as their regulator. www.igr.ca

Non-Profit Clubs. Consists of ethnic associations, service clubs, veteran organizations and sporting clubs (including golf and curling) that have a permanent facility/clubhouse and a special use permit (as opposed to groups who use special occasion permits and may or may not have a permanent location).

Pollard Banknote Limited. Pollard Banknote supplies breakopen gaming tickets. www.pollardbanknote.com

Responsible Gambling Council (RGC). The RGC is a non-profit organization that works with individuals and communities to address gambling in a healthy and responsible way. The Council undertakes research and public awareness programs designed to prevent gambling-related problems. www.responsiblegambling.org

Saskatchewan Government and General Employees Union (SGEU). Ninety per cent of SLGA employees are unionized and represented by SGEU. www.sgeu.org

Saskatchewan Hotel and Hospitality Association (SHHA). Established in 1932, approximately 475 hotels and motels belong to SHHA. They represent both hotel owners and operators in urban areas and rural communities. www.hotelsofsask.com

Saskatchewan Indian Gaming Authority (SIGA). SIGA operates the province's six First Nations casinos on behalf of the FSIN. www.siga.sk.ca

Saskatchewan Liquor Vendors Association (SLVA). SLVA represents all of the rural liquor franchises. Franchises are licensed by SLGA to sell beverage alcohol in rural communities across the province.

Saskatchewan Tourism and Education Council (STEC). STEC delivers the *Serve it Right Saskatchewan* program. The program helps operators and servers of liquor permitted establishments understand their duty of care and promote responsible use, while maintaining or enhancing profits. www.stec.com

Saskatchewan Wine and Spirits Association (SWSA). SWSA is a provincial association dedicated to the promotion of wine and spirits within the provincial liquor industry.

Spirits Canada. Spirits Canada, also known as the Association of Canadian Distillers, is the national trade association of Canadian manufacturers and marketers of distilled spirit products including Canadian whisky, rum, vodka, gin, liqueurs and coolers. www.canadiandistillers.com

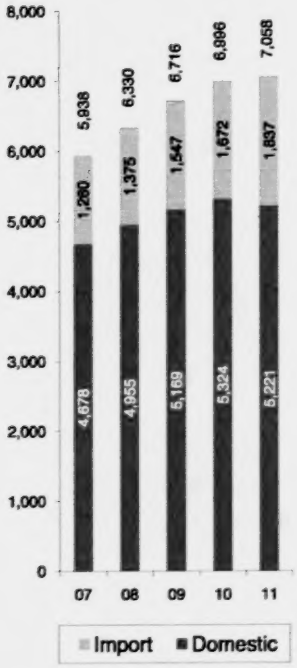
Western Canada Lottery Corporation (WCLC). WCLC is a non-profit organization authorized to operate lottery and gaming-related activities as agent for SLGA. www.wclc.com

Appendix C

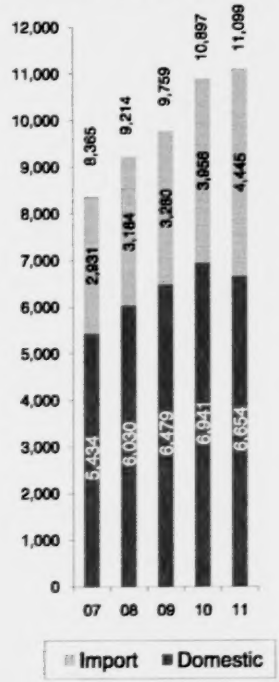
Volume of Sales - Five Year History

Financial Years Ending March 31

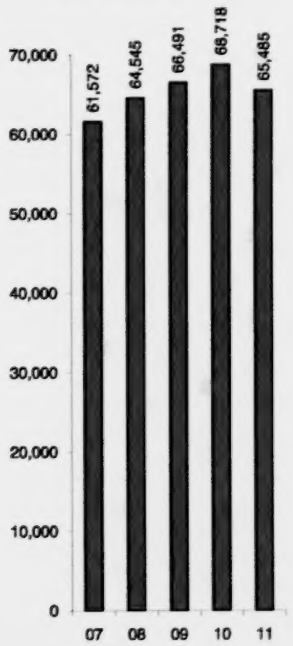
Spirits (000s of litres)



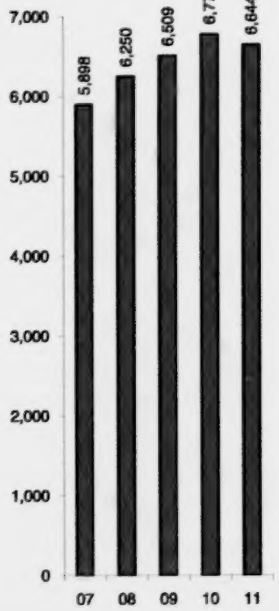
Wine and Coolers (000s of litres)



Beer (000s of litres)



Absolute Alcohol (000s of litres)

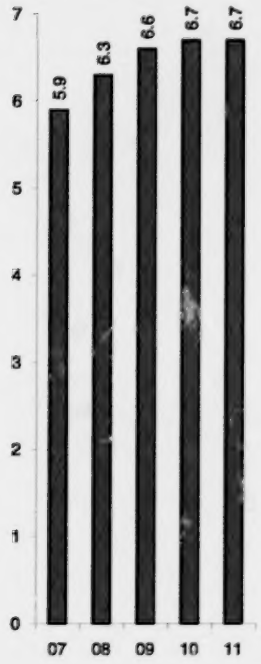


Appendix D

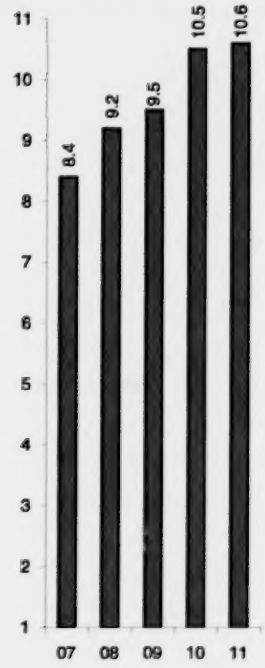
Per Capita Sales - Five Year History

Financial Years Ending March 31

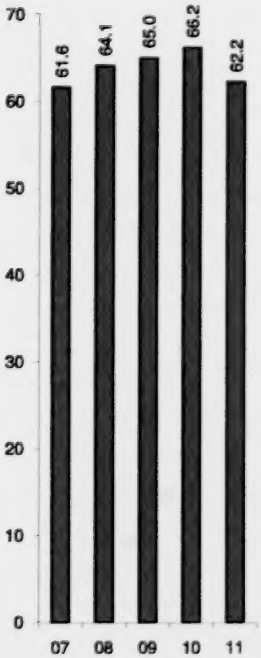
Spirits (litres)



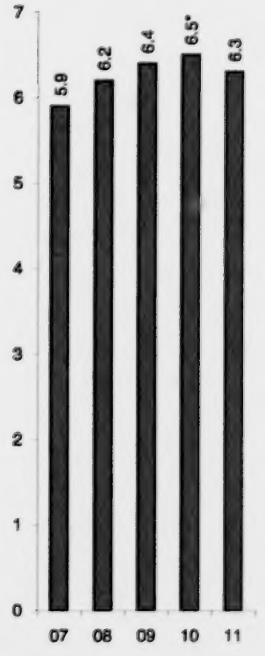
Wine and Coolers (litres)



Beer (litres)



Absolute Alcohol (litres)



*SLGA has restated the 2009-10 figure.

Appendix E
Saskatchewan Liquor and Gaming Licensing Commission

The Saskatchewan Liquor and Gaming Licensing Commission (Commission) is an independent body which reviews:

a) decisions of the Saskatchewan Liquor and Gaming Authority (SLGA) with respect to liquor and gaming licensing, registration and cancellation/ suspension matters within SLGA's jurisdiction, including its jurisdiction over Saskatchewan Gaming Corporation (SGC) and Saskatchewan Indian Gaming Authority (SIGA) casinos, horse racing, off-reserve bingo and all provincial liquor permittees;
b) decisions of casino operators (SIGA and SGC) respecting involuntary casino bans of patrons from their respective casinos;
c) decisions of the Indigenous Gaming Regulators (IGR) respecting on-reserve charitable gaming such as bingo.

The Commission's primary role is serving as an independent and fair quasi-judicial appellate body mandated to ensure proper application of the legislation and regulations governing the liquor, gaming and horse racing industries over which it has jurisdiction, while ensuring the fairness and integrity of those industries. Any licensed party who disagrees with a decision of SLGA, SIGA, SGC or IGR that is within the Commission's jurisdiction has the right to apply to the Commission for a review. In most circumstances, the Commission stays the decision in issue pending the outcome of the Commission's review. Similarly, any individual who has been involuntarily banned from a casino may request a review before the Commission.

During 2010-11, the Commission scheduled and held 46 hearings (23 in Regina and 23 in Saskatoon) to address the same number of requests for review of various decisions made by SLGA and SGC. In order to accommodate the public, hearings are scheduled whenever possible at the nearest major centre in the province to the cause of action.

Applications included reviews of SLGA's decisions to suspend, cancel and deny liquor permits of various establishments, decisions to deny the issuance of certificates of registration to individuals with respect to gaming, to review involuntary casino bans handed down by SGC and to review suspensions and denials of licences relating to issues in contravention of the Rules of Racing in the horse racing industry. As well, the Commission reviews objections by the public to the granting of permits. During 2010-11, there were no objections filed with the Commission as a result of advertising the proposed issuance of permits.

Of the 46 hearings held during the past fiscal year, 27 were liquor related, comprised of assessments of penalties, cancellations and suspensions and denials of permits. Nine hearings were gaming related, comprised of two denials of certificates of registration and seven casino bans. There were 10 hearings held with respect to horse racing, involving violations of the horse racing rules.

The Commission provides written reasons for its review on the merits of all matters it hears. These written decisions are a matter of public record and are maintained in the office of the Commission Registrar. The Commission members as of March 31, 2011 were:

Elaine R. Morgan, Chairperson, Gainsborough
Rod Sexsmith, Vice-Chairperson, Prince Albert
Sid Katzman, Secretary, Saskatoon
Theodore (Ted) Gleim, Member, Eastend
Murray Coulter, Member, Arborfield
Lawrence Skoretz, Member, Ituna

The Commission also has a part-time Registrar. Since 1997, the Commission has initiated procedural changes and is constantly reviewing its own policies to continue to ensure equitable treatment of all parties appearing before it. The Commission also makes written recommendations to SLGA regarding any significant regulatory issues that come to its attention through contact with the industries within its jurisdiction. It also continues to stay up to date in the changing environment of administrative law and the industries it regulates through its own research.

Appendix F
SLGA Fact Sheet: 2010-11 Results at a Glance

Financial	
SLGA net income	$442.5 M
SIGA net income	$64.4 M
Total liquor sales	$550.5 M
Liquor net income	$215.0 M
VLT net income	$180.5 M
VLT site commission	$33.9 M
Franchise commission	$7.1 M
Off-sale permittee beer discount	$7.4 M
Structure and Organization	
Number of SLGA employees	1,051
Number of retail liquor stores	79
Number of communities with SLGA stores	64
Number of off-sale outlets	447
Number of rural liquor franchises	190
Number of specialty wine store franchises	2
Total number of liquor outlets	718
Number of products listed by SLGA	2,172
Number of casinos	8
Number of slot machines in SIGA casinos	1,870
Number of slot machines in SaskGaming casinos	995
Number of VLTs	3,936
Number of communities with VLTs	302
Number of VLT sites	629
Compliance and Licensing	
Number of commercial liquor permittees	1,684
Number of special occasion permits issued	16,464
Number of sanctions (liquor, gaming and horse racing)	453
Number of registered gaming employees	3,582
Number of registered gaming suppliers	87
Charitable Gaming and Horse Racing	
Total number of bingo, raffle, breakopen, Texas Hold'em and Monte Carlo licences	3,606
Number of bingo halls	15
Total gross bingo sales	$54.3 M
Total gross raffle sales	$43.1 M
Total gross breakopen sales	$10.2 M
Total gross charitable gaming event sales	$11.2 M
Total gross Texas Hold'em and Monte Carlo event sales	$0.4 M
Total net proceeds to charity (bingo, raffle, breakopen, Texas Hold'em and Monte Carlo)	$27.7 M
Total grants paid to charitable gaming licensees	$5.7 M
Total provincial handle (all horse racing wagers)	$9.1 M
Total grants paid to the horse racing industry	$1.5 M
Race tracks receiving grant support from the province	3

All data as of March 31, 2011

Where to Obtain Additional Information

If you have any questions or comments about SLGA's Annual Report, or if you have specific questions about the programs and services provided by SLGA, please contact:

Saskatchewan Liquor and Gaming Authority
P.O. Box 5054
2500 Victoria Avenue
Regina, SK, S4P 3M3
www.slga.gov.sk.ca
(306) 787-4213 or Toll Free 1-800-667-7565.